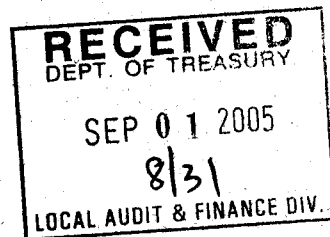


Oceana County, Michigan

**Financial Statements
And Independent Auditors' Report**

Year Ended December 31, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

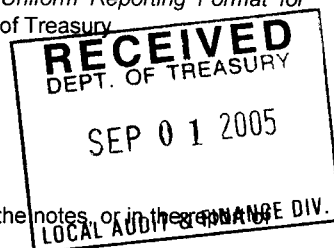
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Oceana County	County Oceana
Audit Date 12/31/04	Opinion Date 2/17/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the accompanying comments and recommendations



You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.			
Street Address 2545 Spring Arbor Road		City Jackson	State MI
Accountant Signature <i>Willis & Jurasek, P.C.</i>		ZIP 49203	Date

Oceana County, Michigan
Board of Commissioners

Larry VanSickle
Chairperson

Michael McGovern

Joseph Merten

Larry Byl

Evelyn Kolbe

Gerald Malburg

Charles (Bud) Simon

Court Judges

Honorable Terrence R. Thomas
Circuit Court

Honorable Kevin Drake
District Court

Honorable Walter A. Urick
Probate Court

Honorable Anthony A. Monton
Circuit Court

County Elected Officials

Deloris H. Hasty
Treasurer

Kenneth Prince
Sheriff

Calvin C. Ackley
Drain Commissioner

Rebecca J. Griffin
Clerk

Terry Shaw
Prosecuting Attorney

Janice Foster
Register of Deeds

J. Randolph Hepworth
Surveyor

County Population - 2000

26,873

County Taxable Valuation - 2004

\$810,470,018

**Oceana County, Michigan
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**Oceana County, Michigan
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Independent Auditors' Report

Board of Commissioners
Oceana County
Hart, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oceana County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County's policy is to prepare its government-wide financial statements on the modified cash basis of accounting and to prepare its fund financial statements on the cash basis of accounting, both of which are a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above include only the primary government of Oceana County, Michigan, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Oceana County, Michigan, as of December 31, 2004, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis of position of the governmental activities and the business-type activities of the primary government of Oceana County, Michigan, as of December 31, 2004, and the revenues it received and expenditures it paid for the year then ended on the modified cash basis of accounting as described in Note 1 and the cash and unencumbered cash balances of each major fund, and the aggregate remaining fund information for the primary government of Oceana County, Michigan, as of December 31, 2004, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

WILLIS & JURASEK, P.C.

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Board of Commissioners
Oceana County

Oceana County, Michigan has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on page 26 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the primary government financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Oceana County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.


Willis & Jurasek, P.C.

February 17, 2005



**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Commissioners
Oceana County
Hart, Michigan

We have audited the financial statements of the primary government of Oceana County, Michigan, as of and for the year ended December 31, 2004, and have issued our report thereon dated February 17, 2005, which was qualified because the financial statements include only the financial activities of the primary government and because the financial activities of component units that form the reporting entity are not included and because the County prepares its government wide financial statements on the modified cash basis of accounting and its fund financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oceana County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oceana County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, State agencies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Willis & Jurasek, P.C.

February 17, 2005

WILLIS & JURASEK, P.C.

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Oceana County, Michigan

Statement of Net Assets

Modified Cash Basis

Primary Government Only

December 31, 2004

	Primary Government		
	Governmental	Business-	Total
	Activities	Type Activities	
Assets:			
Cash and investments	\$ 3,398,032	\$ 468,738	\$ 3,866,770
Current taxes receivable	7,790,887	-	7,790,887
Delinquent taxes	-	926,594	926,594
Receivable from other governmental units to service bond debt	4,050,000	-	4,050,000
Advance to component unit	31,200	-	31,200
Capital assets less accumulated depreciation of \$4,358,111	13,136,361	-	13,136,361
Total assets	<u>28,406,480</u>	<u>1,395,332</u>	<u>29,801,812</u>
Liabilities:			
Deferred property taxes	7,790,887	-	7,790,887
Long-term liabilities:			
Bonds payable, due within one year	549,000	-	549,000
Other obligations, due within one year	8,382	670,000	678,382
Bonds payable, due in more than one year	9,120,000	-	9,120,000
Other obligations, due in more than one year	37,277	-	37,277
Total liabilities	<u>17,505,546</u>	<u>670,000</u>	<u>18,175,546</u>
Net Assets:			
Investment in capital assets - net of related debt	7,471,702	-	7,471,702
Restricted for debt service	118,461	-	118,461
Restricted for construction	912,188	-	912,188
Unrestricted	2,398,583	725,332	3,123,915
Total net assets	<u>\$ 10,900,934</u>	<u>\$ 725,332</u>	<u>\$ 11,626,266</u>

See Notes to Financial Statements.

Oceana County, Michigan
Statement of Activities
Modified Cash Basis
Primary Government Only
Year Ended December 31, 2004

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for		Total	Governmental	Business-Type Activities	Total
		Services	Operating Grants and Contributions				
Primary Government:							
Governmental Activities:							
Legislative	\$ 138,258	\$ -	\$ -	\$ -	(138,258)	\$ -	(138,258)
Judicial	1,338,335	420,903	591,610	1,012,513	(325,822)	-	(325,822)
General county government	2,144,726	379,426	551,532	930,958	(1,213,768)	-	(1,213,768)
Public safety	5,980,933	2,517,789	384,554	2,902,343	(3,078,590)	-	(3,078,590)
Public works	281,152	88,542	4,666	93,208	(187,944)	-	(187,944)
Health and welfare	11,561,466	8,265,815	565,477	8,831,292	(2,730,174)	-	(2,730,174)
Culture and recreation	15,654	5,519	-	5,519	(10,135)	-	(10,135)
Other	625,652	-	-	-	(625,652)	-	(625,652)
Interest	378,527	-	-	-	(378,527)	-	(378,527)
Total governmental activities	22,464,703	11,677,994	2,097,839	13,775,833	(8,688,870)	-	(8,688,870)
Business-Type Activities:							
Tax revolving fund	35,013	411,097	-	411,097	-	376,084	376,084
Total primary government	\$ 22,499,716	\$ 12,089,091	\$ 2,097,839	\$ 14,186,930	\$ (8,688,870)	\$ 376,084	\$ (8,312,786)
General Revenues:							
Property taxes					\$ 7,261,550	\$ -	\$ 7,261,550
Investment earnings					123,516	-	123,516
Other					477,147	-	477,147
Transfers					450,000	(450,000)	-
Total general revenues and transfers					8,312,213	(450,000)	7,862,213
Changes in Net Assets							
Net Assets - Beginning of Year					(376,657)	(73,916)	(450,573)
Net Assets - End of Year					11,277,591	799,248	12,076,839
					\$ 10,900,934	\$ 725,332	\$ 11,626,266

Oceana County, Michigan

Balance Sheet

Cash Basis

Governmental Funds

December 31, 2004

	General	Medical Care Facility	Medical Care Facility Capital Project	Ambulance	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Assets:						
Cash and cash equivalents	\$ 96,298	\$ 766,394	\$ 248,227	\$ 17,158	\$ 2,269,955	\$ 3,398,032
Property taxes receivable	4,389,992	1,982,572	-	810,470	607,853	7,790,887
Advances to other funds	31,200	-	-	-	-	31,200
Total assets	<u>\$ 4,517,490</u>	<u>\$ 2,748,966</u>	<u>\$ 248,227</u>	<u>\$ 827,628</u>	<u>\$ 2,877,808</u>	<u>\$ 11,220,119</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Deferred property taxes	\$ 4,389,992	\$ 1,982,572	\$ -	\$ 810,470	\$ 607,853	\$ 7,790,887
Total liabilities	<u>4,389,992</u>	<u>1,982,572</u>	<u>-</u>	<u>810,470</u>	<u>607,853</u>	<u>7,790,887</u>
Fund Balances:						
Unrestricted; undesignated - reported in:						
General fund	127,498	-	-	-	-	127,498
Special revenue funds	-	766,394	-	17,158	1,336,929	2,120,481
Debt service funds	-	-	-	-	118,461	118,461
Capital project funds	-	-	248,227	-	663,961	912,188
Permanent funds	-	-	-	-	150,604	150,604
Total fund balances	<u>127,498</u>	<u>766,394</u>	<u>248,227</u>	<u>17,158</u>	<u>2,269,955</u>	<u>3,429,232</u>
Total liabilities and fund balances	<u>\$ 4,517,490</u>	<u>\$ 2,748,966</u>	<u>\$ 248,227</u>	<u>\$ 827,628</u>	<u>\$ 2,877,808</u>	<u>\$ 11,220,119</u>

Oceana County, Michigan

**Reconciliation of Fund Balances on the Balance Sheet (Cash Basis) of Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets (Modified Cash Basis)
December 31, 2004**

Total Fund Balances - Governmental Funds		\$ 3,429,232
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 17,494,472	
Accumulated depreciation is	<u>(4,358,111)</u>	
		13,136,361
Other long-term assets are not available to pay for current period expenditures and therefore are not recorded in the funds.		
Add - long-term receivable from municipalities to service future bond principal		4,050,000
Long-term liabilities not due and payable in the current period and not reported in the funds:		
Bonds payable		(9,669,000)
Notes payable		<u>(45,659)</u>
Total Net Assets - Governmental Activities		\$ <u>10,900,934</u>

See Notes to Financial Statements.

Oceana County, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balances
Cash Basis
Governmental Funds
Year Ended December 31, 2004

	General	Medical Care Facility	Medical Care Facility Capital Project	Ambulance	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 4,084,444	\$ 1,825,906	\$ -	\$ 362,550	\$ 988,650	\$ 7,261,550
Licenses and permits	65,265	-	-	-	-	65,265
Intergovernmental	1,532,362	-	-	-	565,477	2,097,839
Charges for services	1,164,350	7,685,556	-	677,155	2,011,438	11,538,499
Fines and forfeitures	8,236	-	-	-	-	8,236
Interest and rents	50,761	34,017	36,107	-	2,631	123,516
Contributions from local units	-	-	-	-	471,663	471,663
Other	178,021	-	-	-	178,457	356,478
Total revenues	7,083,439	9,545,479	36,107	1,039,705	4,218,316	21,923,046
Expenditures:						
Current operations:						
Legislative	138,258	-	-	-	-	138,258
Judicial	1,286,509	-	-	-	15,181	1,301,690
General county government	2,130,294	-	-	-	-	2,130,294
Public safety	3,039,979	-	-	1,116,047	1,475,306	5,631,332
Public works	281,152	-	-	-	-	281,152
Health and welfare	25,219	9,752,117	-	-	1,573,509	11,350,845
Culture and recreation	-	-	-	-	15,654	15,654
Other	628,149	-	-	-	3	628,152
Capital outlay	-	-	4,164,671	-	833,175	4,997,846
Debt service:						
Principal	-	-	-	-	535,000	535,000
Interest and fiscal charges	-	-	-	-	378,527	378,527
Total expenditures	7,529,560	9,752,117	4,164,671	1,116,047	4,826,355	27,388,750
Revenues Over (Under) Expenditures	(446,121)	(206,638)	(4,128,564)	(76,342)	(608,039)	(5,465,704)
Other Financing Sources (Uses):						
Bond proceeds	-	-	-	-	137,375	137,375
Transfers in	650,000	-	-	-	677,330	1,327,330
Transfers (out)	(215,875)	(236,406)	-	-	(425,049)	(877,330)
Total other financing sources (uses)	434,125	(236,406)	-	-	389,656	587,375
Net Changes in Fund Balances	(11,996)	(443,044)	(4,128,564)	(76,342)	(218,383)	(4,878,329)
Fund Balances - Beginning of Year	139,494	1,209,438	4,376,791	93,500	2,488,338	8,307,561
Fund Balances - End of Year	\$ 127,498	\$ 766,394	\$ 248,227	\$ 17,158	\$ 2,269,955	\$ 3,429,232

See Notes to Financial Statements.

Oceana County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds (Cash Basis) to the Governmental Activities on the Statement of Activities (Modified Cash Basis)

Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds **\$ (4,878,329)**

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense

\$ (691,861)

Capital outlay

5,048,487

4,356,626

Add net effect of principal recognized as revenue at fund level for
long-term receivable collection

(285,000)

Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Debt issued:

Bonds

(137,375)

Repayments:

To bond holders

547,500

Notes payable

19,921

430,046

Change in Net Assets of Governmental Activities

(376,657)

Oceana County, Michigan
Statement of Net Assets
Modified Cash Basis
Proprietary Funds
December 31, 2004

	Delinquent Tax Revolving Fund
Current Assets:	
Cash and cash equivalents	\$ 468,738
Delinquent taxes receivable	<u>926,594</u>
Total current assets	<u>1,395,332</u>
Current Liabilities:	
Notes payable	<u>670,000</u>
Net Assets:	
Invested in capital assets, net of related debt	-
Unrestricted	<u>725,332</u>
Total net assets	<u>\$ 725,332</u>

See Notes to Financial Statements.

Oceana County, Michigan
Statement of Revenues, Expenses and Changes in Net Assets
Modified Cash Basis
Proprietary Funds
Year Ended December 31, 2004

	Delinquent Tax Revolving Fund
Operating Revenues:	
Interest and penalties on delinquent taxes	<u>\$ 411,097</u>
Operating Expenses:	
Supplies and other operating expenses	7,810
Interest expense	<u>27,203</u>
Total operating expenses	<u>35,013</u>
Operating Income (Loss)	<u>376,084</u>
Transfers:	
Transfers (out)	<u>(450,000)</u>
Total transfers	<u>(450,000)</u>
Changes in Net Assets	(73,916)
Net Assets - Beginning of Year	<u>799,248</u>
Net Assets - End of Year	<u>\$ 725,332</u>

See Notes to Financial Statements.

Oceana County, Michigan
Statement of Fiduciary Net Assets
Cash Basis
Fiduciary Funds
December 31, 2004

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 1,388,717
Total assets	<u>\$ 1,388,717</u>
Liabilities:	
Reserve for administration	\$ 14,443
Due to other governments	85,827
Undistributed penal fines	95,977
Undistributed tax collections	987,327
Other trust items payable	<u>205,143</u>
Total liabilities	<u>\$ 1,388,717</u>

See Notes to Financial Statements.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters

Oceana County was organized in 1855, and covers an area of approximately 1,296 square miles divided into sixteen townships, six villages and one city. The county seat is located in the City of Hart. The County operates under an elected Board of Commissioners (seven members) and provides services to its approximately 26,873 (2000 census) residents in many areas including law enforcement, administration of justice, community enrichment and development and human services.

Adoption of New Accounting Standards

During the year ended December 31, 2003, the County adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June, 1999; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

Reporting Entity

Generally accepted accounting principles require the reporting entity to include Oceana County (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

Blended Component Units

Oceana County Building Authority – The Oceana County Building Authority is governed by a five-member board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

Discretely Presented Component Units

This report does not include the financial statements of the following component units, which should be included as discretely presented component units to conform to generally accepted accounting principles.

Oceana County Drain Commission – Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities with the power to contract; to sue and be sued; to hold, manage, and dispose of real and personal property; etc. The County Drain Commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 and Chapter 4 of the Drain Code.

The drainage board or drain commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

Oceana County Road Commission – The County Road Commission, which is established pursuant to the County Road Law, is governed by an appointed three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, the Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County's total tax levy as well as reported in the County Road Fund.

Also omitted from these statements is the Road Commission's Deferred Compensation Trust (Trust and Agency Fund), which holds and invests the Road Commission's employee's deferred compensation amounts. The Road Commission is audited individually by other auditors.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Discretely Presented Component Units (Continued)

Oceana County Economic Development Corporation – The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a thirteen-person Board of Directors appointed by the County's Board of Commissioners. The EDC may not issue debt without the Board's approval and administers a significant amount of federal economic development grant money received by the County Board. The EDC is audited individually and is not included in this report.

Complete financial statements of the individual component units, where reports are separately provided, can be obtained from their respective administrative offices or from the County Administrator's Office, P.O. Box 14, Hart, Michigan 49420. Phone number (616) 873-4835.

Administrative Offices

Oceana County Road Commission
3501 West Polk
Hart, Michigan 49420

Oceana Economic Development Corporation
Oceana County Courthouse Annex Building
Hart, Michigan 49420

Oceana County Drain Commission
Oceana County Courthouse Building
Oceana, Michigan 49420

Government-Wide and Fund Financial Statements

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities on all the non-fiduciary activities of the primary government. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user's fees and charges for service.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly recorded among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported on the modified cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recorded when received in cash and expenses are recorded when paid. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recognized when received in cash and expenditures are recorded when paid.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Government-Wide and Fund Financial Statements (Continued)

Proprietary fund financial statements are reported using the cash basis of accounting which does not conform to generally accepted accounting principles. Revenues are recognized when received in cash and expenditures are recorded when paid.

The County reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Medical Care Facility Fund – This fund is used to account for funds raised for operating and maintaining a long-term care facility.

Ambulance Fund – This fund is used to account for funds raised for operating and maintaining an ambulance service for the County.

Medical Care Facility Capital Project Fund – This fund is used to record bond proceeds, interest, and other revenue and the disbursement of expenditures specifically designated for the Medical Care Facility Addition.

The County reports the following major proprietary funds:

Delinquent Tax Revolving Fund – This fund accounts for the County's annual purchases of delinquent real property taxes from each of the local taxing units with the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments. The Delinquent Tax Revolving Fund is the only proprietary fund of the County.

Additionally, the County reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt Service Funds – These funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds not being financed by proprietary or nonexpendable trust funds.

Capital Project Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Permanent Funds – These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Agency Funds – These funds account for monies that are custodial in nature (assets equal liabilities) and do not involve the measurement of results in operations.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are revenues in excess of expenses for tax collection and internal rentals of buildings and equipment in excess of depreciation and cost of money. Elimination of the revenues would distort the activity of the functions and would not reflect the proper future uses of the excesses collected for their specific governmental purposes.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit as well as amounts in the County Treasurer's cash management pools.

The County Treasurer maintains an entity-wide pooled cash account. Each fund types' portion of this pool is included in the "cash and cash equivalents" caption.

The County reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the County intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The County had no investments at December 31, 2004.

State statutes authorize the County to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The County is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied on December 1 of each year, which is the lien date, and are collected through March 1 of the year following the levy, at which time uncollected taxes become delinquent. The December 1 levy is recorded as receivable and deferred revenue at year-end because it is intended to fund expenditures of the following fiscal year. Taxes collected in December are held in the Trust and Agency Fund until the following year.

The 2004 taxable value of Oceana County totaled \$810,470,018, on which ad valorem taxes levied consisted of 5.4166 mills for the County's operating purposes, 1.0000 mills for ambulance services, 2.4462 mills for medical care facility services, 0.5000 mills for medical care facility debt, and 0.7500 mills for Senior Citizens' Tax Fund purposes, raising \$4,389,992 for operating purposes, \$810,470 for ambulance services, \$1,982,572 for medical care facility services, \$405,235 for medical care facility debt, and \$607,853 for Senior Citizens' Tax Fund purposes. These amounts are recorded in the General and Special Revenue Fund financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Capital Assets

Property and equipment are stated at cost. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs during the construction period. Capital assets are defined as assets with an estimated useful life of more than one year and with a unit cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are reported in the respective governmental or business-type activities columns in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	20 - 40
Machinery and equipment; furniture and fixtures	5 - 10
Vehicles	5 - 10

Oceana County, Michigan
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Other Matters (Continued)

Compensated Absences (Vacation and Sick Leave)

It is the County's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick leave is earned at the rate of seven to eight hours per month depending on department and can be accumulated up to 630 hours. Payment upon separation is 50 percent of the unused accumulated sick leave balance. Vacation is earned in varying amounts depending on the number of years of service of an employee and should be used within one year of having been credited to the employee. It may be accrued with the permission of the department head.

Long-term Obligations

In the government-wide financial statements, long-term debts are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The County adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the Board in September, at which time hearings on the budget are scheduled. A public hearing is held in September and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Board.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in September.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the cash basis of accounting. Encumbrances are not recorded at year-end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Board for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.

Oceana County, Michigan
Notes to Financial Statements

Note 2 - Stewardship, Compliance and Accountability (Continued)

- 7) The governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing Board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the County Board of Commissioners. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

Note 3 - Cash and Cash Equivalents

To facilitate better management of the County's resources, substantially all cash is combined in one pooled operating account. The County's excess cash is invested principally in certificates of deposit.

In addition, the cash management pool and some depository accounts are maintained by various County Departments for the deposit of fees, fines, and other miscellaneous revenue. These revenues are transferred to the County Treasurer on a regular basis. Year-end book balances in these depository accounts are included in cash for reporting purposes.

At year-end, the County's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	\$ <u>3,866,770</u>	\$ <u>1,388,717</u>	\$ <u>5,255,487</u>
The breakdown between deposits and investments for the County is as follows:			
Deposits (checking and savings accounts, certificates of deposit)			\$ 5,233,787
Petty cash and cash on hand			<u>21,700</u>
Total			\$ <u>5,255,487</u>

At year-end, the carrying amount of the County's deposits was \$5,255,487 and the bank balance was \$5,664,823. Of the balances, \$400,000 was covered by federal depository insurance in the County's name. The remaining balance is uninsured and uncollateralized.

Oceana County, Michigan
Notes to Financial Statements

Note 4 – Capital Assets

Capital asset activity of the County's governmental activities was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$1,365,960	\$ -	\$ -	\$1,365,960
Construction in progress	256,047	4,952,892	591,980	4,616,959
Total assets not being depreciated	<u>1,622,007</u>	<u>4,952,892</u>	<u>591,980</u>	<u>5,982,919</u>
Capital assets being depreciated:				
Building and improvements	5,151,377	591,980	-	5,743,357
Equipment and furniture	<u>5,672,601</u>	<u>95,595</u>	-	<u>5,768,196</u>
Subtotal	<u>10,823,978</u>	<u>687,575</u>	-	<u>11,511,553</u>
Accumulated depreciation:				
Building and improvements	2,053,887	144,031	-	2,197,918
Equipment and furniture	<u>1,612,363</u>	<u>547,830</u>	-	<u>2,160,193</u>
Subtotal	<u>3,666,250</u>	<u>691,861</u>	-	<u>4,358,111</u>
Net capital assets being depreciated	<u>7,157,728</u>	<u>(4,286)</u>	-	<u>7,153,442</u>
Net capital assets, Governmental activities	<u>\$8,779,735</u>	<u>\$ 4,948,606</u>	<u>\$ 591,980</u>	<u>\$ 13,136,361</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Judicial	\$ 11,723
General county government	56,668
Public safety	412,850
Health and welfare	<u>210,620</u>
Total depreciation expense - governmental activities	<u>\$ 691,861</u>

Construction Commitments

The County has active construction projects at year-end. The projects include improvements to the airport facility, improvements and additions to the Medical Care Facility and Ambulance facility. At year-end, the County had commitments totaling approximately \$250,000 on these various projects.

Oceana County, Michigan
Notes to Financial Statements

Note 5 – Long-Term Debt

The County issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$10,079,125	\$ 137,375	\$547,500	\$ 9,669,000	\$549,000
Loans payable	65,580	-	19,921	45,659	8,382
Total governmental activities	<u>\$10,144,705</u>	<u>\$ 137,375</u>	<u>\$567,421</u>	<u>\$ 9,714,659</u>	<u>\$557,382</u>

General obligation bonds currently outstanding are as follows:

\$5,165,000 – City of Hart – Local Government Loan Program Revenue Bonds, Series 2001B due in annual installments of \$295,000 to \$455,000 through November 1, 2015; interest at 3.700% to 4.850%	\$ 4,050,000
\$1,890,000 – E-911 Building – Local Government Program Revenue Bonds, Series 2002, due in annual installments of \$105,000 to \$165,000 through November 1, 2017; interest of 3.250% to 4.625%	1,685,000
\$241,500 – Capital Improvement Bonds, Series 2003, due in annual installments of \$4,000 to \$15,000 through June 1, 2033; interest at 4.250%	239,000
\$350,000 – Capital Improvement Bonds, Series 2003B, due in annual installments of \$10,000 to \$30,000 through November 1, 2023; interest at 3.000% to 5.000%	340,000
\$3,500,000 – Capital Improvement Bonds, Series 2003C, due in annual installments of \$135,000 to \$245,000 through November 1, 2023; interest at 2.500% to 4.550%	<u>3,355,000</u>
Total bonded debt	<u>\$9,669,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 549,000	\$ 441,302	\$ 990,302
2006	569,000	422,652	991,652
2007	585,000	402,976	987,976
2008	610,000	391,602	1,001,602
2009	630,000	367,854	997,854
2010-2014	3,544,000	1,424,959	4,968,959
2015-2019	2,006,000	744,158	2,750,158
2020-2024	1,069,000	400,438	1,469,438
2025-2029	54,000	37,444	91,444
2030-2033	53,000	11,875	64,875
Total	<u>\$ 9,669,000</u>	<u>\$ 4,645,260</u>	<u>\$14,314,260</u>

Oceana County, Michigan
Notes to Financial Statements

Note 5 – Long-Term Debt (Continued)

Loans Payable

The County is party to the following long-term notes at December 31, 2004:

Note payable Michigan Aeronautics Commission,
annual payments of \$8,541 including interest at 4.50%. \$ 37,523

Note payable Michigan Aeronautics Commission,
annual payments of \$1,896 including interest at 4.50%. 8,136

\$ 45,659

The notes are due in the following years:

2005	\$ 8,382
2006	8,760
2007	9,154
2008	9,566
2009	<u>9,797</u>
	<u>\$ 45,659</u>

Business-type activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Delinquent tax notes payable	<u>\$ 860,000</u>	<u>\$ 2,390,000</u>	<u>\$ 2,580,000</u>	<u>\$ 670,000</u>	<u>\$ 670,000</u>

At December 31, 2004, the County had outstanding \$670,000 of short-term general obligation tax notes. The tax notes carry interest rate at prime. All revenues related to the 2004 delinquent real property taxes have been pledged as security for the notes.

Note 6 – Interfund Receivables and Payables

The only interfund activity at year-end was a long-term advance from the general fund to the Drain Revolving Fund (component unit) of \$31,200.

Note 7 - Leases Payable

The County is party to several long-term rental agreements for office equipment. These agreements call for varying payments and terms due in the following years:

2005	\$ 131,458
2006	7,643
2007	3,831
2008	<u>1,304</u>
	<u>\$ 144,236</u>

Oceana County, Michigan
Notes to Financial Statements

Note 8 - Pension Plan

Plan Description

The County of Oceana has a defined benefit plan for its employees that provides retirement, disability and death benefits to its members and beneficiaries. The plan is administered by the Municipal Employees Retirement System (MERS), an agent multiple employer pension plan created under Public Act 135 of 1945.

MERS issues a publicly available financial report that includes financial statements and required supplemental information for the County. This report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (517) 703-9030.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy. The County is required to contribute at an actuarially determined rate; the current rate was 5.79% at December 31, 2003.

Annual Pension Cost

For 2004, the County's annual pension cost was \$474,394 with the full amount being paid. The required contribution was determined as part of the December 31, 2002 actuarial valuation, using the entry age actuarial cost method. The actuarial assumptions include: a) 8% Investment Rate of Return (net of administrative expenses) and b) projected salary increases of 4.5% per year. The actuarial value of the County MERS plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The County's actuarial accrued liability has been overfunded for the past four years. Any future unfunded liability would be amortized over the next 30 years. The amortization period is open.

Three Year Trend Information

<u>Ending</u>	<u>Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
12/31/03	\$596,546	100%	\$0
12/31/02	444,630	100%	0
12/31/01	316,375	100%	0

Analysis of Funding Progress

<u>Valuation Date</u>	<u>(1) Actuarial Value of Plan Assets</u>	<u>(2) Actuarial Accrued Liability</u>	<u>(3) Funded Ratio (1)/(2)</u>	<u>(4) Unfunded (Overfunded) Actuarial Liability (2)-(1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) Ratio of Unfunded (Funding Excess) to Covered Payroll (4)/(5)</u>
<u>December 31</u>						
2003	\$14,259,027	\$17,611,265	81%	3,352,238	8,746,938	38%
2002	12,995,037	15,627,290	83%	2,632,253	8,376,682	31%
2001	12,241,025	13,873,581	88%	1,632,556	7,787,309	21%

Oceana County, Michigan
Notes to Financial Statements

Note 9 - Equity Transfer

During the year, a \$450,000 equity transfer was made to the general fund from the treasurer's unrestricted tax revolving fund. The amount represents excess funds that have accumulated after several individual tax revolving fund bond issues had been liquidated. The excess funds accumulated in the individual funds are transferred to the treasurer's unrestricted fund and may then be used for general operations.

Note 10 - Deferred Compensation Plan

Oceana County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 Plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement 32, plan balances and activities are not reflected in Oceana County's financial statements.

Note 11 - Related-Party Transactions

Community Mental Health

The County leases premises to the Community Mental Health Service on a long-term lease arrangement calling for payments of \$332,864, payable \$3,000 in advance and the balance in 120 monthly installments of \$2,749. This lease commenced February 1, 1987 and expired July 1, 1997. The lease was renewed on a year-by-year basis for \$1,250 per month.

Building Authority

The County leases the Public Square site to the Authority for \$15, payable \$1 a year for 15 years.

Note 12 - Risk Management

Oceana County is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; liability; and natural disasters. The County is a member of the Michigan Municipal Risk Management Authority, which is a self-insured association, organized under the laws of the State of Michigan to provide self-insurance protection. The agreements between the Authority and the County are intergovernmental contracts. Under the contract, the County is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the County's self insured retention (SIR) amounts. After the County has paid the SIR, the Authority is responsible for paying losses, including damages, loss adjustment expenses and defense costs up to a specified limit. The County's SIR and additional coverage amounts are as follows:

	<u>Retention</u>	<u>Additional Insurance</u>
Liability	\$ 75,000	\$15,000,000
Vehicle Physical Damage	\$ 15,000 per vehicle	\$ 1,500,000
	\$ 30,000 per occurrence	
Property and Crime	10% of the next \$100,000	\$8,431,968

Oceana County, Michigan
Notes to Financial Statements

Note 12 - Risk Management (Continued)

The activity of this fund is recorded in the general fund. Cash balances represent ending funds on deposit with the authority at December 31, 2004. Past experience indicates incurred but unreported claims would not represent a material charge against fund equities.

Additional information is as follows:

Current year contributions to the SIR	\$ <u>20,156</u>
Funds on deposit December 31, 2004	\$ 60,345
Claims and legal reserve (on cash basis) December 31, 2004	<u>(20,000)</u>
Estimated net assets December 31, 2004	\$ <u>40,345</u>

The amounts are reported on a cash basis as provided by Michigan Municipal Risk Management Authority. Settled claims have not exceeded the SIR limits in any of the past three years.

Note 13 - Jointly Governed Operations

District Health Department Number 10

Oceana County, Newaygo County, Lake County, Mecosta County, Manistee County, Mason County, Crawford County, Kalkaska County, Missaukee County and Wexford County participate jointly in the operation of the District Health Department Number 10.

The Board for the District Health Department is made up of two Commissioners from each county, plus one alternate from each county.

The funding formula approved by the member counties is based pro rata on each unit's population and their share of space costs. Member counties' appropriations for 2004 were based on revisions in population due to the 2000 Census.

Oceana County's 2004 appropriation to the District Health Department was \$135,543.

Community Mental Health System

Oceana County, Lake County and Mason County participate jointly in the operation of the West Michigan Community Mental Health System.

The funding formula is based pro rata on each unit's population to the total population. Member percentages of the net operating budget for the year ended December 31, 2004 were:

Oceana	40.00%
Mason	45.00%
Lake	15.00%

Oceana County's 2004 appropriation to West Michigan Community Mental Health System was \$130,000.

Substance Abuse

Oceana County is a member of a 31 County Region Coordinating Agency, (Northern Michigan Substance Abuse Services, Inc.) which contracts for substance abuse services throughout the member area.

Each county appropriates 50% of their liquor tax fund revenues to NMSAS, Inc.

Oceana County's appropriation for 2004 was \$37,525.

Oceana County, Michigan
Notes to Financial Statements

Note 14 - Transfers In (Out)

Interfund transfers at December 31, 2004 were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 650,000	\$ 215,875
Revenue Sharing Reserve	-	200,000
Medical Care Facility	-	236,406
Parks & Recreation	19,000	-
Law Library	16,000	-
Child Care	155,000	48,000
Soldiers and Sailors' Relief	18,000	-
Social Welfare	5,000	-
Juvenile Justice	48,000	-
District Court Capital Projects	2,875	-
Mason/Oceana E-911	-	165,311
E-911 Construction	-	11,738
Mason/Oceana E-911 Debt	177,049	-
Medical Care Facility Replacement	236,406	-
Tax Revolving	-	450,000
	<u>\$1,327,330</u>	<u>\$1,327,330</u>

Required Supplemental Information

Oceana County, Michigan
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
Cash Basis
General Fund and Major Special Revenue Funds
Year Ended December 31, 2004

	General Fund		Medical Care Facility		Ambulance	
	Original Budget	Final Budget	Original Budget	Final Budget	Original Budget	Final Budget
Revenues:						
Taxes	\$ 4,202,937	\$ 4,202,937	\$ 1,885,972	\$ 1,885,972	\$ 377,350	\$ 377,350
Licenses and permits	63,050	63,050	-	-	-	-
Intergovernmental	1,495,138	1,678,246	-	-	-	-
Charges for services	1,212,410	1,212,410	7,599,315	7,599,315	764,550	764,550
Fines and forfeitures	9,560	9,560	-	-	-	-
Interest and rents	42,355	42,355	30,000	30,000	-	-
Other	250,475	250,475	-	-	-	-
Total revenues	7,275,925	7,459,033	9,515,287	9,515,287	1,141,900	1,141,900
						1,039,705
Expenditures:						
Current operations:						
Legislative	142,226	143,023	-	-	-	-
Judicial	1,262,200	1,312,570	-	-	-	-
General county government	2,106,767	2,163,600	-	-	-	-
Public safety	2,983,502	3,118,215	-	-	-	-
Public works	282,594	282,594	-	-	1,141,900	1,141,900
Health and welfare	33,450	33,450	-	-	-	-
Other	615,140	627,810	9,515,287	9,515,287	-	-
Total expenditures	7,425,879	7,681,262	9,515,287	9,515,287	1,141,900	1,116,047
Revenues Over (Under) Expenditures	(149,954)	(222,229)	-	(206,638)	-	(76,342)
Other Financing Sources (Uses):						
Transfers in	475,000	475,000	-	-	-	-
Transfers out	(325,046)	(252,771)	-	-	-	-
Total other financing sources (uses)	149,954	222,229	-	-	-	-
Net Changes in Fund Balances	-	(11,996)	-	(443,044)	-	(76,342)
Fund Balances - Beginning of Year	139,494	139,494	1,209,438	1,209,438	93,500	93,500
Fund Balances - End of Year	\$ 139,494	\$ 139,494	\$ 1,209,438	\$ 766,394	\$ 93,500	\$ 17,158

Other Supplemental Information

Oceana County, Michigan
Combining Balance Sheet
Cash Basis
Nonmajor Governmental Funds
December 31, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
<u>Assets</u>					
Assets:					
Cash and cash equivalents	\$ 1,336,929	\$ 118,461	\$ 663,961	\$ 150,604	\$ 2,269,955
Property taxes receivable	607,853	-	-	-	607,853
Total assets	<u>1,944,782</u>	<u>\$ 118,461</u>	<u>\$ 663,961</u>	<u>\$ 150,604</u>	<u>\$ 2,877,808</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Deferred property taxes	\$ 607,853	\$ -	\$ -	\$ -	\$ 607,853
Total liabilities	<u>607,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,853</u>
Fund Balances:					
Unreserved:					
Designated for capital expenditures	52,723	-	663,961	-	716,684
Unreserved: undesignated	<u>1,284,206</u>	<u>118,461</u>	<u>-</u>	<u>150,604</u>	<u>1,553,271</u>
Total fund balances	<u>1,336,929</u>	<u>118,461</u>	<u>663,961</u>	<u>150,604</u>	<u>2,269,955</u>
Total liabilities and fund balances	<u>\$ 1,944,782</u>	<u>\$ 118,461</u>	<u>\$ 663,961</u>	<u>\$ 150,604</u>	<u>\$ 2,877,808</u>

Oceana County, Michigan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Cash Basis
Nonmajor Governmental Funds
Year Ended December 31, 2004

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
Revenues:					
Taxes	\$ 610,238	\$ 378,412	\$ -	\$ -	\$ 988,650
Intergovernmental	565,477	-	-	-	565,477
Charges for services	2,011,438	-	-	-	2,011,438
Interest and rents	-	2,628	-	3	2,631
Contributions from local units	-	471,663	-	-	471,663
Other	156,722	-	21,735	-	178,457
Total revenues	<u>3,343,875</u>	<u>852,703</u>	<u>21,735</u>	<u>3</u>	<u>4,218,316</u>
Expenditures:					
Current operations:					
Judicial	15,181	-	-	-	15,181
Public safety	1,475,306	-	-	-	1,475,306
Health and welfare	1,573,509	-	-	-	1,573,509
Culture and recreation	15,654	-	-	-	15,654
Other	-	-	-	3	3
Capital outlay	20,031	-	813,144	-	833,175
Debt service:					
Principal	-	535,000	-	-	535,000
Interest	-	378,527	-	-	378,527
Total expenditures	<u>3,099,681</u>	<u>913,527</u>	<u>813,144</u>	<u>3</u>	<u>4,826,355</u>
Revenues Over (Under) Expenditures	<u>244,194</u>	<u>(60,824)</u>	<u>(791,409)</u>	<u>-</u>	<u>(608,039)</u>
Other Financing Sources (Uses):					
Bond proceeds	-	-	137,375	-	137,375
Transfers in	261,000	177,049	239,281	-	677,330
Transfers out	(413,311)	-	(11,738)	-	(425,049)
Total other financing sources (uses)	<u>(152,311)</u>	<u>177,049</u>	<u>364,918</u>	<u>-</u>	<u>389,656</u>
Net Changes in Fund Balances	91,883	116,225	(426,491)	-	(218,383)
Fund Balances - Beginning of Year	<u>1,245,046</u>	<u>2,236</u>	<u>1,090,452</u>	<u>150,604</u>	<u>2,488,338</u>
Fund Balances - End of Year	<u>\$ 1,336,929</u>	<u>\$ 118,461</u>	<u>\$ 663,961</u>	<u>\$ 150,604</u>	<u>\$ 2,269,955</u>

Oceana County, Michigan
Combining Balance Sheet

Cash Basis

Nonmajor Special Revenue Funds

December 31, 2004

	Parks and Recreation	Friend of the Court	Public Improvement	Building Department	Interim Elderly and Handicapped	Drug Law Enforcement	Law Library	Child Care
Assets:								
Cash and cash equivalents	\$ 32,127	\$ 24,944	\$ 52,723	\$ 220,315	\$ -	\$ 9,501	\$ 12,887	\$ 22,475
Property taxes receivable	-	-	-	-	-	-	-	-
Total assets	<u>\$ 32,127</u>	<u>\$ 24,944</u>	<u>\$ 52,723</u>	<u>\$ 220,315</u>	<u>\$ -</u>	<u>\$ 9,501</u>	<u>\$ 12,887</u>	<u>\$ 22,475</u>
Liabilities and Fund Balances								
Liabilities:								
Deferred property taxes	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:								
Unreserved:								
Designated for capital expenditures	-	-	52,723	-	-	-	-	-
Unreserved: undesignated	32,127	24,944	-	220,315	-	9,501	12,887	22,475
Total fund balances	<u>32,127</u>	<u>24,944</u>	<u>52,723</u>	<u>220,315</u>	<u>-</u>	<u>9,501</u>	<u>12,887</u>	<u>22,475</u>
Total liabilities and fund balances	<u>\$ 32,127</u>	<u>\$ 24,944</u>	<u>\$ 52,723</u>	<u>\$ 220,315</u>	<u>\$ -</u>	<u>\$ 9,501</u>	<u>\$ 12,887</u>	<u>\$ 22,475</u>

Oceana County, Michigan
Combining Balance Sheet (Continued)
Cash Basis
Nonmajor Special Revenue Funds
December 31, 2004

	Soldiers' And										Mason/ Oceana
	Sailors' Relief	Veterans' Trust	Citizens' Tax Fund	Social Welfare	Juvenile Justice	Victims' Restitution	Automation R.O.D.				E-911
Assets											
Cash and cash equivalents	\$ 1,592	\$ 891	\$ -	\$ 25,985	\$ 13,135	\$ 541	\$ 84,284	\$ 766,577			
Property taxes receivable	-	-	607,853	-	-	-	-	-			
Total assets	\$ 1,592	\$ 891	\$ 607,853	\$ 25,985	\$ 13,135	\$ 541	\$ 84,284	\$ 766,577			
Liabilities and Fund Balances											
Liabilities:											
Deferred property taxes	\$ -	\$ -	\$ 607,853	\$ -	\$ -	\$ -	\$ -	\$ -			
Total liabilities	\$ -	\$ -	\$ 607,853	\$ -	\$ -	\$ -	\$ -	\$ -			
Fund Balances											
Unreserved:											
Designated for capital expenditures	-	-	-	-	-	-	-	-			
Unreserved: undesignated	1,592	891	-	25,985	13,135	541	84,284	766,577			
Total fund balances	1,592	891	-	25,985	13,135	541	84,284	766,577			
Total liabilities and fund balances	\$ 1,592	\$ 891	\$ 607,853	\$ 25,985	\$ 13,135	\$ 541	\$ 84,284	\$ 766,577			

Oceana County, Michigan
Combining Balance Sheet (Concluded)
Cash Basis
Nonmajor Special Revenue Funds
December 31, 2004

	Local			
	Correction	Revenue		
	Officer	Sharing		
	Training	Reserve	Total	

Assets

Assets:

Cash and cash equivalents	\$	8,110	\$	60,842	\$	1,336,929
Property taxes receivable		-		-		607,853
Total assets	\$	8,110	\$	60,842	\$	1,944,782

Liabilities and Fund Balances

Liabilities:

Deferred property taxes	\$	-	\$	607,853
Total liabilities		-		607,853

Fund Balances

Unreserved:

Designated for capital expenditures

Unreserved: undesignated

Total fund balances

Total liabilities and fund balances

	-	-	52,723
8,110	60,842	1,284,206	
8,110	60,842	1,336,929	
\$ 8,110	\$ 60,842	\$ 1,944,782	

Oceana County, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Cash Basis
Nonmajor Special Revenue Funds
Year Ended December 31, 2004

	Parks and Recreation	Friend of the Court	Public Improvement	Building Department	Interim Elderly and Handicapped	Drug Enforcement	Law Library	Child Care
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	25,204	-	-	139,926
Charges for services	5,519	-	-	450,446	-	-	-	63,819
Other	-	3,890	30,000	-	-	937	5,694	-
Total revenues	<u>5,519</u>	<u>3,890</u>	<u>30,000</u>	<u>450,446</u>	<u>25,204</u>	<u>937</u>	<u>5,694</u>	<u>203,745</u>
Expenditures:								
Judicial	-	-	-	-	-	-	15,181	-
Health and welfare	-	-	-	352,324	31,644	-	-	300,943
Culture and recreation	15,654	-	-	-	-	-	-	-
Capital outlay	-	-	16,156	-	-	-	-	-
Total expenditures	<u>15,654</u>	<u>-</u>	<u>16,156</u>	<u>352,324</u>	<u>31,644</u>	<u>-</u>	<u>15,181</u>	<u>300,943</u>
Revenues Over (Under) Expenditures	<u>(10,135)</u>	<u>3,890</u>	<u>13,844</u>	<u>98,122</u>	<u>(6,440)</u>	<u>937</u>	<u>(9,487)</u>	<u>(97,198)</u>
Other Financing Sources (Uses):								
Transfers in	19,000	-	-	-	-	-	16,000	155,000
Transfers (out)	-	-	-	-	-	-	-	(48,000)
Total other financing sources (uses)	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>107,000</u>
Net Changes in Fund Balances	<u>8,865</u>	<u>3,890</u>	<u>13,844</u>	<u>98,122</u>	<u>(6,440)</u>	<u>937</u>	<u>6,513</u>	<u>9,802</u>
Fund Balances - Beginning of Year	<u>23,262</u>	<u>21,054</u>	<u>38,879</u>	<u>122,193</u>	<u>6,440</u>	<u>8,564</u>	<u>6,374</u>	<u>12,673</u>
Fund Balances - End of Year	<u>\$ 32,127</u>	<u>\$ 24,944</u>	<u>\$ 52,723</u>	<u>\$ 220,315</u>	<u>\$ -</u>	<u>\$ 9,501</u>	<u>\$ 12,887</u>	<u>\$ 22,475</u>

Oceana County, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Continued)

Cash Basis
Nonmajor Special Revenue Funds
Year Ended December 31, 2004

	Soldiers' & Sailors' Relief	Veterans' Trust	Senior Citizens' Tax Fund	Social Welfare	Juvenile Justice	Victims' Restitution	Automation R.O.D.	Mason/Oceana E-911
Revenues:								
Taxes	\$ -	\$ -	\$ 349,396	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	3,731	-	389,892	6,724	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1,483,544
Total revenues	-	3,731	349,396	65,994	-	-	50,207	-
	-	-	-	455,886	6,724	-	50,207	1,483,544
Expenditures:								
Judicial	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Health and welfare	17,884	4,870	349,547	465,964	50,333	-	-	1,475,306
Culture and recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	17,884	4,870	349,547	465,964	50,333	-	3,875	1,475,306
	(17,884)	(1,139)	(151)	(10,078)	(43,609)	-	46,332	8,238
Revenues Over (Under) Expenditures								
Other Financing Sources (Uses):								
Transfers in	18,000	-	-	5,000	48,000	-	-	-
Transfers (out)	-	-	-	-	-	-	-	(165,311)
Total other financing sources (uses)	18,000	-	-	5,000	48,000	-	-	(165,311)
Net Changes in Fund Balances	116	(1,139)	(151)	(5,078)	4,391	-	46,332	(157,073)
Fund Balances - Beginning of Year	1,476	2,030	151	31,063	8,744	541	37,952	923,650
Fund Balances - End of Year	\$ 1,592	\$ 891	\$ -	\$ 25,985	\$ 13,135	\$ 541	\$ 84,284	\$ 766,577

Oceana County, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances (Concluded)

Cash Basis
Nonmajor Special Revenue Funds
Year Ended December 31, 2004

	Local		
	Correction	Revenue	
	Officer	Sharing	
	Training	Reserve	Total
\$	-	\$ 260,842	\$ 610,238
Taxes	-	-	565,477
Intergovernmental	-	-	-
Charges for services	8,110	-	2,011,438
Other	-	-	156,722
Total revenues	8,110	260,842	3,343,875

Expenditures:

Judicial	-	-	15,181
Public safety	-	-	1,475,306
Health and welfare	-	-	1,573,509
Culture and recreation	-	-	15,654
Capital outlay	-	-	20,031
Total expenditures	-	-	3,099,681

Revenues Over (Under) Expenditures

8,110	260,842	244,194
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Other Financing Sources (Uses):

Transfers in	-	-	261,000
Transfers (out)	-	(200,000)	(413,311)
Total other financing sources (uses)	-	(200,000)	(152,311)

Net Changes in Fund Balances

8,110	60,842	91,883
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Fund Balances - Beginning of Year

-	-	1,245,046
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Fund Balances - End of Year

\$ 8,110	\$ 60,842	\$ 1,336,929
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Oceana County, Michigan
Combining Balance Sheet
Cash Basis
Nonmajor Debt Service Funds
December 31, 2004

	Medical Care Facility	Wastewater Treatment Plant	Mason/ Oceana E-911	Total
<u>Assets</u>				
Assets				
Cash and cash equivalents	\$ 116,225	\$ 2,236	\$ -	\$ 118,461
<u>Fund Balances</u>				
Fund Balances				
Reserved for debt service	\$ 116,225	\$ 2,236	\$ -	\$ 118,461

Oceana County, Michigan
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Cash Basis
Nonmajor Debt Service Funds
Year Ended December 31, 2004

	Medical Care Facility	Wasterwater Treatment Plant	Mason/ Oceana E-911	Total
Revenues:				
Taxes	\$ 378,412	\$ -	\$ -	\$ 378,412
Interest	2,628	-	-	2,628
Contributions from local units	-	471,663	-	471,663
Total revenues	<u>381,040</u>	<u>471,663</u>	<u>-</u>	<u>852,703</u>
Expenditures:				
Debt service:				
Principal retirement	145,000	285,000	105,000	535,000
Interest and fiscal charges	<u>119,815</u>	<u>186,663</u>	<u>72,049</u>	<u>378,527</u>
Total expenditures	<u>264,815</u>	<u>471,663</u>	<u>177,049</u>	<u>913,527</u>
Revenues Over (Under) Expenditures	<u>116,225</u>	<u>-</u>	<u>(177,049)</u>	<u>(60,824)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	177,049	177,049
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>177,049</u>	<u>177,049</u>
Net Changes in Fund Balances	<u>116,225</u>	<u>-</u>	<u>-</u>	<u>116,225</u>
Fund Balances - Beginning of Year	<u>-</u>	<u>2,236</u>	<u>-</u>	<u>2,236</u>
Fund Balances - End of Year	<u>\$ 116,225</u>	<u>\$ 2,236</u>	<u>\$ -</u>	<u>\$ 118,461</u>

Oceana County, Michigan
Combining Balance Sheet
Cash Basis
Nonmajor Capital Project Funds
December 31, 2004

	District Court	Sheriff	Medical Care Facility Replacement	E-911	Airport Construction	Ambulance Construction	Total
<u>Assets</u>							
Assets:							
Cash and cash equivalents	\$ 1	\$ 100,820	\$ 563,140	\$ -	\$ -	\$ -	\$ 663,961
<u>Fund Balances</u>							
Fund Balances:							
Unreserved:							
Designated for capital expenditures	\$ 1	\$ 100,820	\$ 563,140	\$ -	\$ -	\$ -	\$ 663,961

Oceana County, Michigan
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Cash Basis
Nonmajor Capital Project Funds
Year Ended December 31, 2004

	District Court	Sheriff	Medical Care Facility Replacement	E-911	Airport Construction	Ambulance Construction	Total
Revenues:							
Other							
Total revenues	-	11,511	10,224	-	-	-	21,735
	-	11,511	10,224	-	-	-	21,735
Expenditures:							
Capital outlay	24,923	-	393,395	-	138,963	255,863	813,144
	(24,923)	11,511	(383,171)	-	(138,963)	(255,863)	(791,409)
Revenue Over (Under) Expenditures							
	-	-	-	-	137,375	-	137,375
Other Financing Sources (Uses):							
Bond proceeds	2,875	-	236,406	-	-	-	239,281
Transfers in	-	-	-	(11,738)	-	-	(11,738)
Transfers (out)	2,875	-	236,406	(11,738)	137,375	-	364,918
Total other financing sources (uses)	(22,048)	11,511	(146,765)	(11,738)	(1,588)	(255,863)	(426,491)
Net Changes in Fund Balances							
	22,049	89,309	709,905	11,738	1,588	255,863	1,090,452
Fund Balances - Beginning of Year							
	\$ 1	\$ 100,820	\$ 563,140	\$ -	\$ -	\$ -	\$ 663,961

Oceana County, Michigan
 Combining Balance Sheet
 Cash Basis
 Nonmajor Permanent Funds
 December 31, 2004

	<u>Cemetery</u>	<u>Medical</u>	
	<u>Trust</u>	<u>Care</u>	
		<u>Endowment</u>	<u>Total</u>
<u>Assets</u>			
Assets:			
Cash and cash equivalents	\$ 302	\$ 150,302	\$ 150,604
<u>Fund Balances</u>			
Fund Balances:			
Unreserved:			
Designated for programs	\$ 302	\$ 150,302	\$ 150,604

Oceana County, Michigan
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Cash Basis
Nonmajor Permanent Funds
Year Ended December 31, 2004

	Cemetery Trust	Medical Care Endowment	Total
Revenues:			
Interest	\$ 2	\$ 1	\$ 3
Other	-	-	-
Total revenues	<u>2</u>	<u>1</u>	<u>3</u>
Expenditures:			
Other	<u>2</u>	<u>1</u>	<u>3</u>
Net Changes in Fund Balances	-	-	-
Fund Balances - Beginning of Year	<u>302</u>	<u>150,302</u>	<u>150,604</u>
Fund Balances - End of Year	<u>\$ 302</u>	<u>\$ 150,302</u>	<u>\$ 150,604</u>

Oceana County, Michigan
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget to Actual
Cash Basis
General Fund
(With Comparative Totals for the Prior Year)
Year Ended December 31, 2004

	<u>2004</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
Revenues:				
Taxes	\$ 4,202,937	\$ 4,084,444	\$ (118,493)	\$ 3,907,700
Licenses and permits	63,050	65,265	2,215	55,204
Intergovernmental	1,678,246	1,532,362	(145,884)	1,517,099
Charges for services	1,212,410	1,164,350	(48,060)	1,083,690
Fines and forfeits	9,560	8,236	(1,324)	6,354
Interest and rentals	42,355	50,761	8,406	41,529
Other	250,475	178,021	(72,454)	159,142
Total revenues	<u>7,459,033</u>	<u>7,083,439</u>	<u>(375,594)</u>	<u>6,770,718</u>
Expenditures:				
Current operations:				
Legislative				
Governing body	<u>143,023</u>	<u>138,258</u>	<u>4,765</u>	<u>140,840</u>
Judicial				
Circuit court	380,935	373,901	7,034	361,083
District court	397,833	390,207	7,626	332,926
Friend of the court	297,410	289,589	7,821	296,915
Probate court	232,776	229,372	3,404	220,726
Jury board	3,616	3,440	176	3,020
Total judicial	<u>1,312,570</u>	<u>1,286,509</u>	<u>26,061</u>	<u>1,214,670</u>
General County Government				
County administrator	146,252	141,428	4,824	138,293
Elections	60,638	60,637	1	3,199
Clerk	276,587	276,472	115	233,388
Equalization	194,984	189,104	5,880	173,770
Prosecuting attorney	304,641	304,636	5	287,558
Register of deeds	152,456	149,431	3,025	146,765
Plat board	1,314	850	464	824
Remonumentation	42,952	42,952	-	39,600
Treasurer	166,738	166,027	711	155,182
Tax administration	3,690	3,688	2	3,494
Cooperative extension	117,280	117,280	-	111,625
Building and grounds	298,671	294,449	4,222	276,845
Other general government	397,397	383,340	14,057	364,979
Total general county government	<u>2,163,600</u>	<u>2,130,294</u>	<u>33,306</u>	<u>1,935,522</u>

Oceana County, Michigan
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget to Actual
Cash Basis
General Fund
(With Comparative Totals for the Prior Year)
Year Ended December 31, 2004

	<u>2004</u>		Variance	Prior
	Budget	Actual	Favorable	Year
			(Unfavorable)	Actual
Expenditures (Continued):				
Public safety				
Sheriffs' department	\$ 1,494,689	\$ 1,492,166	\$ 2,523	\$ 1,396,862
Training	4,000	2,148	1,852	1,404
Marine law enforcement	82,641	80,671	1,970	72,578
Snowmobile enforcement	23,918	23,915	3	30,498
Road patrol	143,967	133,155	10,812	117,056
Corrections department	1,008,476	1,007,635	841	913,409
Parole	5,350	4,340	1,010	4,048
Planning commission	19,691	19,176	515	15,914
Emergency preparedness	146,392	92,814	53,578	63,899
Other	78,602	76,310	2,292	-
Animal shelter	110,489	107,649	2,840	100,470
Total public safety	<u>3,118,215</u>	<u>3,039,979</u>	<u>78,236</u>	<u>2,716,138</u>
Public works				
Drain commission	126,137	124,706	1,431	124,409
Drains public benefit	19,681	19,681	-	13,668
Refuse collection and disposal	136,776	136,765	11	129,092
Total public works	<u>282,594</u>	<u>281,152</u>	<u>1,442</u>	<u>267,169</u>
Health and welfare	<u>33,450</u>	<u>25,219</u>	<u>8,231</u>	<u>33,612</u>
Other				
Appropriations	354,505	354,851	(346)	351,112
Other	<u>273,305</u>	<u>273,298</u>	<u>7</u>	<u>232,063</u>
Total other	<u>627,810</u>	<u>628,149</u>	<u>(339)</u>	<u>583,175</u>
Total expenditures	<u>7,681,262</u>	<u>7,529,560</u>	<u>151,702</u>	<u>6,891,126</u>
Revenues Over (Under) Expenditures	<u>(222,229)</u>	<u>(446,121)</u>	<u>(223,892)</u>	<u>(120,408)</u>
Other Financing Sources (Uses):				
Transfers in	475,000	650,000	175,000	525,000
Transfers (out)	<u>(252,771)</u>	<u>(215,875)</u>	<u>36,896</u>	<u>(394,613)</u>
Total other financing sources (uses)	<u>222,229</u>	<u>434,125</u>	<u>211,896</u>	<u>130,387</u>
Net Changes in Fund Balances	-	(11,996)	(11,996)	9,979

Oceana County, Michigan
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget to Actual
Cash Basis
General Fund
(With Comparative Totals for the Prior Year)
Year Ended December 31, 2004

	<u>2004</u>		<u>Variance</u>	<u>Prior</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>	<u>Year</u>
			<u>(Unfavorable)</u>	<u>Actual</u>
Fund Balances - Beginning of Year	\$ 139,494	\$ 139,494	\$ -	\$ 129,515
Fund Balances - End of Year	\$ 139,494	\$ 127,498	\$ (11,996)	\$ 139,494

Oceana County, Michigan
Schedule of Bonded Indebtedness
December 31, 2004

2001 Sewage Disposal Bonds Revenue Bonds Series 2001B						
Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2004
July 12, 2001	\$ 5,165,000	3.700%	11/01/05	\$ 176,687	\$ 295,000	\$ 295,000
		3.800%	11/01/06	165,773	310,000	310,000
		3.950%	11/01/07	153,992	320,000	320,000
		4.150%	11/01/08	141,353	335,000	335,000
		4.250%	11/01/09	127,450	345,000	345,000
		4.350%	11/01/10	112,788	365,000	365,000
		4.450%	11/01/11	96,910	380,000	380,000
		4.550%	11/01/12	80,000	395,000	395,000
		4.650%	11/01/13	62,027	415,000	415,000
		4.750%	11/01/14	42,730	435,000	435,000
		4.850%	11/01/15	22,068	455,000	455,000
						<u>\$ 4,050,000</u>

2002 Capital Improvement Bonds Revenue Bond Series 2002						
Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2004
November 1, 2002	\$ 1,890,000	3.250%	11/01/05	\$ 68,636	\$ 105,000	\$ 105,000
		3.250%	11/01/06	65,224	110,000	110,000
		3.500%	11/01/07	61,649	110,000	110,000
		3.750%	11/01/08	57,799	115,000	115,000
		4.000%	11/01/09	53,486	120,000	120,000
		4.000%	11/01/10	48,686	120,000	120,000
		4.000%	11/01/11	43,886	125,000	125,000
		4.100%	11/01/12	38,886	130,000	130,000
		4.250%	11/01/13	33,556	135,000	135,000
		4.350%	11/01/14	27,819	145,000	145,000
		4.500%	11/01/15	21,511	150,000	150,000
		4.600%	11/01/16	14,761	155,000	155,000
		4.625%	11/01/17	7,632	165,000	165,000
						<u>\$ 1,685,000</u>

Oceana County, Michigan
Schedule of Bonded Indebtedness
(Continued)
December 31, 2004

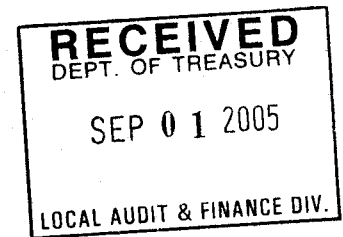
2003 Capital Improvement Bonds Series 2003	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2004
	September 29, 2003	\$241,500	4.250%	06/01/05	\$ 20,715	\$ 4,000	\$ 4,000
			4.250%	06/01/06	20,369	4,000	4,000
			4.250%	06/01/07	20,022	5,000	5,000
			4.250%	06/01/08	19,589	5,000	5,000
			4.250%	06/01/09	19,155	5,000	5,000
			4.250%	06/01/10	18,722	5,000	5,000
			4.250%	06/01/11	18,289	6,000	6,000
			4.250%	06/01/12	17,768	6,000	6,000
			4.250%	06/01/13	17,248	6,000	6,000
			4.250%	06/01/14	16,728	6,000	6,000
			4.250%	06/01/15	16,208	7,000	7,000
			4.250%	06/01/16	15,602	7,000	7,000
			4.250%	06/01/17	14,995	7,000	7,000
			4.250%	06/01/18	14,388	7,000	7,000
			4.250%	06/01/19	13,781	8,000	8,000
			4.250%	06/01/20	13,088	8,000	8,000
			4.250%	06/01/21	12,395	8,000	8,000
			4.250%	06/01/22	11,701	9,000	9,000
			4.250%	06/01/23	10,921	9,000	9,000
			4.250%	06/01/24	10,141	10,000	10,000
			4.250%	06/01/25	9,274	10,000	10,000
			4.250%	06/01/26	8,408	10,000	10,000
			4.250%	06/01/27	7,541	11,000	11,000
			4.250%	06/01/28	6,587	11,000	11,000
			4.250%	06/01/29	5,634	12,000	12,000
			4.250%	06/01/30	4,594	12,000	12,000
			4.250%	06/01/31	3,554	13,000	13,000
			4.250%	06/01/32	2,428	13,000	13,000
			4.250%	06/01/33	1,300	15,000	15,000
							\$ 239,000

Oceana County, Michigan
Schedule of Bonded Indebtedness
(Continued)
December 31, 2003

2003 Capital Improvement Bonds Series 2003B	Date of Issue	Amount of Issue	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2004
	November 1, 2003	\$350,000			\$	\$	\$
			3.000%	11/01/05	14,090	10,000	10,000
			3.000%	11/01/06	13,790	10,000	10,000
			3.000%	11/01/07	13,490	10,000	10,000
			3.000%	11/01/08	13,190	15,000	15,000
			3.000%	11/01/09	12,740	15,000	15,000
			3.250%	11/01/10	12,290	15,000	15,000
			3.500%	11/01/11	11,803	15,000	15,000
			3.750%	11/01/12	11,277	15,000	15,000
			4.000%	11/01/13	10,715	15,000	15,000
			4.100%	11/01/14	10,115	15,000	15,000
			4.200%	11/01/15	9,500	20,000	20,000
			4.300%	11/01/16	8,660	20,000	20,000
			4.400%	11/01/17	7,800	20,000	20,000
			4.500%	11/01/18	6,920	20,000	20,000
			4.600%	11/01/19	6,020	20,000	20,000
			4.700%	11/01/20	5,100	25,000	25,000
			4.800%	11/01/21	3,925	25,000	25,000
			4.900%	11/01/22	2,725	25,000	25,000
			5.000%	11/01/23	1,500	30,000	30,000
							\$ 340,000

Oceana County, Michigan
Schedule of Bonded Indebtedness
(Continued)
December 31, 2004

2003 Capital Improvement Bonds Series 2003C	Date of Issue December 31, 2003	Amount of Issue \$3,500,000	Interest Rate	Date of Final Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding 12/31/2004
			2.500%	11/01/05	\$ 127,083	\$ 135,000	\$ 135,000
			2.500%	11/01/06	123,707	135,000	135,000
			2.750%	11/01/07	120,333	140,000	140,000
			3.000%	11/01/08	116,482	140,000	140,000
			3.000%	11/01/09	112,283	145,000	145,000
			3.500%	11/01/10	107,933	150,000	150,000
			3.500%	11/01/11	102,682	155,000	155,000
			3.500%	11/01/12	97,258	155,000	155,000
			3.650%	11/01/13	91,832	165,000	165,000
			3.750%	11/01/14	85,810	170,000	170,000
			3.850%	11/01/15	79,435	175,000	175,000
			3.950%	11/01/16	72,698	180,000	180,000
			4.050%	11/01/17	65,588	190,000	190,000
			4.150%	11/01/18	57,893	195,000	195,000
			4.250%	11/01/19	49,800	205,000	205,000
			4.350%	11/01/20	41,087	215,000	215,000
			4.450%	11/01/21	31,735	225,000	225,000
			4.500%	11/01/22	21,722	235,000	235,000
			4.550%	11/01/23	11,147	245,000	245,000
							<u>\$ 3,355,000</u>



February 17, 2005

Board of Commissioners
Oceana County
Hart, Michigan

We have audited the financial statements of Oceana County, Michigan for the year ended December 31, 2004, and have issued our report thereon dated February 17, 2005. In planning and performing our audit of the general purpose financial statements of the County, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

The Management of the County is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide the Board with a reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Board's authorization and recorded properly to permit the preparation of financial statements in accordance with the modified cash and cash basis of accounting.

Because of the inherent limitations in any system of internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the County taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement proposal our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

WILLIS & JURASEK, P.C.

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Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note 1 to the financial statements. The County adopted the requirements of GASB 34 during the year ended December 31, 2003. No other new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded in the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Commissioners
Oceana County
Hart, Michigan
Page 3

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Board of Commissioners and management of Ocean County and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the County and its staff for the cooperation extended to us during our audit and would be happy to discuss any of the comments in detail if you so desire.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

Comments and Recommendations

Modified Cash Basis and Cash Basis Financial Statements

Your financial statements have been prepared on a modified cash basis of accounting for the government-wide financial statements and on a cash basis for the fund financial statements. We would recommend the County consider working toward apply the full accrual basis for the government-wide financial statements and modified accrual basis for the fund financial statements.

This would require some changes on the County's part as far as recording accounts receivable, accounts payable, etc., at least at year end. Your current general ledger software would allow for this. It would take some training of the staff to meet this goal, but in the long run would produce a more accurate picture of your year end fund balance numbers.

Management Discussion and Analysis

Currently you are not including the management discussion and analysis in your audit report. Now would be a good time to start working on putting this together for next year. There are many examples you can follow on what to include. You could use your current financial statements and prepare one based on this years audit. This would allow you to have one in place that could be updated with next years financial statements and audit report.

Fixed Assets

We still recommend adjusting your chart of accounts to allow for capital expenditures over the threshold established for capitalizing fixed assets. It would be easy to pick up from your internal general ledger if coded in this manner and make the updating of your fixed assets easier for you at year end.

Fund Balance

A ten-year analysis of your fund balance for the general fund shows the following:

<u>Year</u>	<u>Unreserved Fund Balance</u>
1995	21,791
1996	28,654
1997	39,307
1998	174,276
1999	52,854
2000	58,312
2001	85,577
2002	129,515
2003	139,494
2004	127,498

As can be seen from the above analysis your fund balance has been relatively low for the last several years and currently at December 31, 2004, represents approximately 1.8% in relation to your general fund revenue. The fund balance will need to be monitored closely in the future to avoid a deficit situation.